

Morgan Stanley Board of Directors Corporate Governance Policies

Adopted October 20, 1995
(As Amended January 31, 2013)

The Board of Directors (the "Board") of Morgan Stanley ("Morgan Stanley" or "the Company") has adopted these Corporate Governance Policies to promote the effective functioning of the Board and its committees.

BOARD COMPOSITION AND LEADERSHIP STRUCTURE

1. **Board Membership Criteria.**

The Board seeks members who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon contributions they can make to the Board and management and their ability to represent the interests of shareholders. The Board will also take into account diversity of a candidate's perspectives, background and other demographics.

2. **Optimum Board Size**

The Board believes its optimum size is 10 to 15 members.

3. **Director Independence**

The Board will have a majority of independent directors. The Board's Director Independence Standards are set forth in Appendix A.

4. **Board Leadership Structure**

The Board regularly reviews its leadership structure. The Board believes that the Company and its shareholders are best served by maintaining the flexibility to have any director serve as Chairman of the Board ("Chairman") based on what it is in the best interests of the Company at a given point in time, taking into consideration, among other things, the composition of the Board, the role of the Company's Lead Director, the Company's corporate governance practices, the Chief Executive Officer's ("CEO") working relationship with the Board, and challenges specific to the Company.

5. **Lead Director**

The Board believes that it is in the best interest of the Company for the independent directors to appoint an independent director to serve as the Lead Director. It is expected that the Lead Director will serve approximately 3-5 years in order to facilitate the rotation of the Lead Director position while maintaining experienced leadership. In considering the appropriate tenure of a Lead Director, the Board should evaluate all facts and circumstances and may extend such tenure in accordance with good governance practices, including (without limitation) to accommodate the transition of a new CEO or new directors or to provide continuity to further strategic objectives or address external factors affecting the Company.

The Lead Director shall preside at all meetings of the Board at which the Chairman is not present, and shall have the authority to call, and lead, Non-Management Director Sessions and Independent Director Sessions (each as defined herein). The Lead Director shall help facilitate communication among the Chairman, the CEO and the non-employee and independent directors, including serving as liaison between the Chairman and the independent directors. The Lead Director shall advise the Chairman and the CEO (if such positions are held by separate individuals) of the Board's informational needs, shall approve the types and forms of information sent to the Board, shall approve Board meeting agendas and the schedule of Board meetings and may request inclusion of additional agenda items. The Lead Director will be available, if requested by major shareholders, for consultation and direct communication in accordance with the Board Communication Policy set forth herein.

6. **Selection of New Directors.**

The Nominating and Governance Committee recommends director candidates consistent with the Board membership criteria to the Board. The Chairman or the Nominating and Governance Committee chair extends invitations to join the Board to new directors.

7. **Majority Voting**

The Company's Bylaws provide for a majority vote standard for the election of directors in an uncontested election. The Board expects that an incumbent director who fails to receive a majority of the votes cast in an election that is not a Contested Election (as defined in the Company's Bylaws) and who tenders his or her resignation pursuant to the Company's Bylaws shall not participate in any proceedings by the Board or any committee thereof regarding whether to accept or reject such director's resignation, or whether to take other action with respect to such director.

CONTINUATION AS A DIRECTOR

8. **Term Limits**

The Board does not favor term limits for directors, but believes that it is important to monitor individual director performance.

9. **Retirement Policy**

The Board believes that a director candidate should not be nominated for election if the candidate would be 72 at the time of election.

10. **Change in Director's Personal Circumstances**

A director whose principal occupation or employer changes, who plans to join the board of directors or similar governing body of another public or private company or advisory board, or who experiences other changed circumstances that could diminish his or her effectiveness as a Board member or otherwise be detrimental to the Company, shall advise the Chairman and the Corporate Secretary and offer to tender his or her resignation to the Board. The Chairman should refer the matter to the Nominating and Governance Committee for review with the Chairman's recommendation. The Nominating and Governance Committee should evaluate the facts and circumstances and recommend to the Board whether to seek and accept the director's resignation.

11. **Board Resignation Policy for Directors**

The Board expects the Chairman and the CEO to resign from the Board upon retirement. There may be circumstances where the Board's policy to accept the resignation would not apply, including to accommodate the transition for a new Chairman or new CEO.

The Board expects that officers of the Company other than the Chairman and the CEO who are also directors to resign immediately from the Board when they retire or leave active Company employment and to consult the Board if they change positions within the Company.

The Board expects that each director will provide notice of intent to resign or resignation to the Chairman and the Corporate Secretary.

12. **Service on Other Boards**

Directors shall not serve on the board of more than six public companies, including the Company. A director who is invited to join the board of directors or similar governing body of another public or private company or an advisory board should consult with the Chairman and the Corporate Secretary before accepting a seat on such board.

BOARD OPERATIONS

13. **Duties and Obligations of Directors**

Directors are expected to exercise their business judgment to act in good faith, on an informed basis and in what they reasonably believe to be the best interests of the Company and its shareholders. The proceedings and deliberations of the Board and its committees are confidential. The Board expects directors will maintain the confidentiality of such proceedings and deliberations and any information received in connection with service as a director of the Company.

14. **Board Committees**

The Board appoints the (i) Audit, (ii) Compensation, Management Development and Succession, (iii) Nominating and Governance, (iv) Operations and Technology and (v) Risk Committees. Each of these committees shall have its own written charter setting forth, among other things, its purpose and responsibilities. The Board also may establish and maintain additional committees to facilitate discharging its responsibilities.

The Chairman should regularly consult with committee chairs to obtain their insights and to optimize committee performance.

15. **Rotation of Committee Assignments**

The Board generally favors the periodic rotation of committee assignments and committee chair positions, but also recognizes that at times it may not be in the best interest of the Company to change a committee assignment or chair position, such as when a director has special knowledge or experience. It is expected that committee chairs will serve approximately 3-5 years on average in order to facilitate rotation of committee chairs while preserving experienced leadership.

16. **Development of Agendas and Meeting Schedules**

The Chairman, in consultation with directors, should establish the agendas and schedules for Board meetings. The Lead Director shall approve Board meeting agendas and the schedule of Board meetings and may request inclusion of additional agenda items.

The committee chairs, in consultation with the Chairman, should establish the committee agendas and schedules for committee meetings. Each standing committee should meet as provided for in its respective charter during the year and, as necessary, receive reports from Company personnel on developments affecting the committee's work. Committee meetings shall include any participants the committee deems appropriate and shall be of sufficient duration and scheduled at such times as the committee deems appropriate to discharge properly its responsibilities.

17. **Distribution of Materials for Board and Committee Meetings**

The Board believes it is critical for directors to have materials on topics to be discussed sufficiently in advance of the meeting date and for directors to be kept abreast of developments between Board and committee meetings. The Company regularly informs directors of Company and competitive developments and currently distributes, approximately a week in advance, written materials for use at regularly scheduled Board and committee meetings.

18. **Attendance of Directors at Board and Committee Meetings**

The Board expects directors will attend the meetings of the Board and the committees on which they serve and to review in advance materials distributed before the meeting.

19. **Attendance of Directors at the Annual Meeting of Shareholders**

The Board expects that directors will attend the annual meeting of shareholders.

20. **Board Access to Non-Directors**

Directors have complete and open access to senior members of management and other employees of the Company.

The Board believes that attendance of key executive officers augments the meeting process. The Company's Chief Risk Officer, Chief Financial Officer and Chief Legal Officer regularly attend all scheduled Board meetings, at the invitation of the Board, and respond to questions posed by directors relating to their areas of expertise. The CEO also invites key employees to attend Board sessions at which the CEO believes they can meaningfully contribute to Board discussion. Such persons do not attend Executive Sessions, Non-Management Director Sessions or Independent Director Sessions (each as defined herein), either of the Board or any committee thereof, unless requested.

The Board also believes that the heads of the Company's operating units and other officers can assist the Board with its deliberations and provide critical insights and analysis, including when the Board receives presentations on the business plan for the upcoming year. Attendance of such officers allows the most knowledgeable and accountable executives to communicate directly with

the Board. It also provides the Board direct access to individuals critical to the Company's succession planning.

21. **Executive Sessions of Directors**

"Executive Sessions" are sessions of the Board that only include directors. "Non-Management Director Sessions" are sessions of the Board that include only non-management directors. "Independent Director Sessions" are sessions that include only independent directors.

Non-management directors shall meet in Non-Management Director Sessions on a regular basis and may meet in Executive Sessions at the discretion of the non-management directors. If any non-management directors are not independent, then the independent directors shall schedule an Independent Director Session at least once per year. The Lead Director has the authority to call, and shall lead, Non-Management Director Sessions and Independent Director Sessions.

22. **Director Access to Independent Advisors**

The Board, the Lead Director and its committees shall have the right at any time to retain independent financial, legal or other advisors and the Company shall provide appropriate funding.

23. **Board Compensation**

The Nominating and Governance Committee recommends director compensation and benefits to the Board. In discharging this duty, the Nominating and Governance Committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of the Company's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be easy for shareholders to understand. The Board believes that total compensation should include a significant equity component because it believes that this more closely aligns the long-term interests of directors with those of shareholders and provides a continuing incentive for directors to foster the Company's success.

CERTAIN BOARD FUNCTIONS

24. **Strategy and Business Plans**

The Board regularly reviews with management the Company's financial performance, strategy and business plans.

25. **Management Development and Succession Planning**

The Compensation, Management Development and Succession Committee oversees plans for management development and succession.

The Company's senior executives serving on the Operating Committee complete a succession plan for their areas of responsibility that is reviewed with the CEO. The CEO provides input on each succession plan and discusses the plans with the Compensation, Management Development and Succession Committee. The CEO reviews with the Compensation, Management Development and Succession Committee succession planning for his successor at least annually. The Compensation, Management Development and Succession Committee periodically reviews with the Board succession plans for the CEO and senior executives as determined by the Compensation, Management Development and Succession Committee. Succession planning includes policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.

26. **Formal Evaluations of the Chief Executive Officer**

The Board establishes subjective and objective performance criteria at the beginning of each year for use in formal evaluations of the CEO. The Compensation, Management Development and Succession Committee conducts the evaluation of the CEO in the context of its review of the Company's performance in meeting its priorities for purposes of awarding compensation. The Compensation, Management Development and Succession Committee chair reports to the Board on the evaluation in a Non-Management Director Session.

27. **Evaluation of Board, Lead Director and Committee Performance**

The Nominating and Governance Committee oversees the annual evaluation of the performance of the Board, the Lead Director and each of the (i) Audit, (ii) Compensation, Management

Development and Succession, (iii) Nominating and Governance, (iv) Operations and Technology, and (v) Risk Committees, including self-evaluations by each of these committees and the Board. Comments regarding individual directors that arise during these evaluations will be directed for their consideration to the Chairman and to the Nominating and Governance Committee chair.

OTHER MATTERS

28. Director Orientation and Continuing Education for Directors

The Company provides an orientation program for new directors, which includes briefings by senior management on the Company's strategic plans, its financial statements and its key policies and practices. The Company will reimburse directors for reasonable costs incurred attending educational sessions on subjects that would assist them in discharging their duties.

29. Board Communication Policy

The Board believes that under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. Directors may, from time to time, meet with or communicate with various constituencies that are involved with the Company. It is expected that directors would do this with the knowledge of management and, in most instances, at the request of management.

30. Director Equity Ownership

Directors receiving compensation for Board service shall hold an equity interest in the Company within sixty days after their election to the Board. Unless they have waived compensation for Board service, when non-management directors are first elected to the Board, and when they are reelected, they receive an equity award of stock units, 50% payable in shares of Morgan Stanley Common Stock after the director's retirement from the Board, and 50% payable in shares of Morgan Stanley Common Stock on the anniversary of grant. Non-management directors are also able to defer Board compensation (including cash retainers) pursuant to a plan in which they may elect to receive stock units. These opportunities and incentives help align non-management directors' interests with shareholders' interests.

31. Consulting Agreements with Directors

The Board believes that the Company should not enter into paid consulting arrangements with non-management directors.

32. IPO Allocations

Directors and their immediate family members shall not be eligible to receive allocations of initial public offerings underwritten by the Company.

33. Cumulative Voting

The Board strongly supports the "one share/one vote" concept and opposes cumulative voting. It opposes the ability of a single investor or group of investors to band together to achieve a goal, such as the election of a director, which is not supported by a majority of the Company's shareholders.

34. Repricing of Stock Options; "Reload" Options

The Board opposes repricing of incentive based options by a reduction in the option's exercise price. The Board favors equitable adjustment of an option's exercise price in connection with a reclassification of the Company's stock; a change in the Company's capitalization; a stock split; a restructuring, merger, or combination of the Company; or other similar events in connection with which it is customary to adjust the exercise price of an option and/or the number and kind of shares subject thereto. The Board opposes the future grant of a stock option "reload" feature pursuant to which, upon tendering of shares of common stock to pay the exercise price of an underlying option, or having shares of common stock withheld to pay taxes due upon the exercise of an option, the optionee receives a new option to acquire the number of shares of common stock tendered or withheld.

Appendix A

Definition of "Independent" Directors.

The Board has established the following guidelines to assist it in determining whether or not directors qualify as "independent" pursuant to the guidelines and requirements set forth in the New York Stock Exchange's Corporate Governance Rules. In each case, the Board will broadly consider all relevant facts and circumstances and shall apply the following standards (in accordance with the guidance, and subject to the exceptions, provided by the New York Stock Exchange in its Commentary to its Corporate Governance Rules):

1. Employment and commercial relationships affecting independence.

A. Current Relationships. A director will not be independent if: (i) the director is a current partner or current employee of Morgan Stanley's internal or external auditor; (ii) an immediate family member of the director is a current partner of Morgan Stanley's internal or external auditor; (iii) an immediate family member of the director (a) is a current employee of Morgan Stanley's internal or external auditor and (b) personally works on Morgan Stanley's audit; (iv) the director is a current employee, or an immediate family member of the director is a current executive officer, of an entity that has made payments to, or received payments from, Morgan Stanley for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues; or (v) the director's spouse, parent, sibling or child is currently employed by Morgan Stanley.

B. Relationships within Preceding Three Years. A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Morgan Stanley; (ii) an immediate family member of the director is or was an executive officer of Morgan Stanley; (iii) the director or an immediate family member of the director was a (a) partner or employee of Morgan Stanley's internal or external auditor and (b) personally worked on Morgan Stanley's audit within that time; (iv) the director or an immediate family member of the director received more than \$120,000 in direct compensation in any twelve-month period from Morgan Stanley, other than (a) director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and (b) compensation paid to an immediate family member of the director who is an employee (other than an executive officer) of Morgan Stanley; or (v) a present Morgan Stanley executive officer is or was on the compensation committee of the board of directors of a company that concurrently employed the Morgan Stanley director or an immediate family member of the director as an executive officer.

2. Relationships not deemed material for purposes of director independence.

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Morgan Stanley. To assist the Board in this determination, it has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director's independence. Any determination of independence for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board shall disclose the basis for such determination in the Company's proxy statement.

A. Equity Ownership. A relationship arising solely from a director's ownership of an equity or limited partnership interest in a party that engages in a transaction with Morgan Stanley, so long as such director's ownership interest does not exceed 5% of the total equity or partnership interests in that other party.

B. Other Directorships. A relationship arising solely from a director's position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization that engages in a transaction with Morgan Stanley or (ii) director or trustee (or similar position) of a tax exempt organization that engages in a transaction with Morgan Stanley (other than a charitable contribution to that organization by Morgan Stanley).

C. Ordinary Course Business. A relationship arising solely from transactions, including financial services transactions such as underwriting, banking, lending or trading in securities, commodities or derivatives, or from other transactions for products or services, between Morgan Stanley and a company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances (including, if applicable, credit or underwriting standards) that are substantially similar to those prevailing at the time for comparable transactions, products or services for or with unaffiliated third parties.

D. Contributions. A relationship arising solely from a director's status as an officer, employee, director or trustee of a not-for-profit organization, and the contributions by Morgan Stanley (directly or through the Morgan Stanley Foundation or any similar organization established by Morgan Stanley) to the organization are less than the greater of \$1,000,000 or 2% of the organization's consolidated gross revenues during the organization's preceding fiscal year (matching of employee charitable contributions are not included in Morgan Stanley's contributions for this purpose).

E. Products and Services. A relationship arising solely from a director utilizing products or services of Morgan Stanley in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third parties.

F. Professional, Social and Religious Organizations and Educational Institutions. A relationship arising solely from a director's membership in the same professional, social, fraternal or religious association or organization, or attendance at the same educational institution, as an executive officer or director.

G. Family Members. Any relationship or transaction between an immediate family member of a director and Morgan Stanley shall not be deemed a material relationship or transaction that would cause the director not to be independent if the standards in this Section 2 would permit the relationship or transaction to occur between the director and Morgan Stanley.